

STATE OF THE STATE MESSAGE

***presented to the
Forty-Ninth Legislature
and to the people
of Montana***

January 11, 1985



**TED SCHWINDEN
Governor of Montana**

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Friday, January 11, 1985, at 11 a.m.

Mr. President, Mr. Speaker, members of the Forty-Ninth Legislature, Mr. Chief Justice and Justices of the Supreme Court, elected state officials and people of Montana.

As 1985 begins, Montana straddles two centuries. While 1989 officially marks our state's centennial, in reality our Treasure State has already entered a new era.

Montana's first century was characterized by resource exploitation, by economic dominance from outside sources, by burgeoning government. Our second century must be characterized by responsible economic expansion, rational resource development and controlled government growth.

Two years ago, I described the Build Montana program as "a way to prepare Montana to move ahead." With solid legislative endorsement of Build Montana in 1983, Montana is moving ahead. Build Montana is pointing the state toward a healthier and more diversified economy—an economy, and a political system, controlled by Montanans.

Although our economy is expanding, the Legislature's task remains difficult. Tax indexing and tax reductions have combined to limit the growth of state revenues and of state government.

The people of Montana—and this governor—applaud that trend.

This administration will respect the spending priorities set by the Legislature through the appropriation process. I will insist, however, on protecting the excellent fiscal reputation of this state by maintaining a positive general fund ending balance. The executive budget proposes preemption of the repealed 8¢ federal cigarette tax as a dedicated reserve to achieve that goal.

The crisis in agriculture—from the beet fields of the Yellowstone to the wheat fields of the Hi-Line—grows worse daily. National and international markets for our energy and mineral resources continue to be unstable. Pending federal budget actions, desperately needed to protect our nation's future, will inevitably impact the states. Given the level of economic uncertainty, a reasonable surplus is an imperative as we confront the new challenges of our second century.

While fiscal reality mandates caution, progress demands risk—from public, as well as private, enterprise. "Change" will be the byword of Montana's second century just as "change" will characterize civilization's Twenty-First century. Montana must be prepared to adapt, now, to the innovations that will inevitably occur in business, labor, government, education, health care and all our major institutions.

Bold new ventures may well be limited by scarce public resources. But, as Theodore Roosevelt once advised, "Do what you can . . . with what you've got."

In that spirit, I ask the Legislature to favorably consider several recommendations—initiatives that challenge the status quo; proposals that anticipate, and respond to, the competitive world of tomorrow.

The Science and Technology Advisory Council has called for a unique public-private sector alliance to invest in technology research and development. I urge your careful consideration of its innovative proposal, which would derive a portion of its funding from the coal severance tax trust fund and the remainder from private funding sources. We may not be able to conquer brave new worlds, but we must encourage bright new enterprise.

The Council envisions an exciting public-private partnership—nourished by the spirit of cooperation that has blossomed under Build Montana. To strengthen that partnership, I propose the construction of a Centennial Center on the capitol campus—a Center that will help bridge the distance between Montana's first and second centuries. The Centennial Center would display "Made in Montana" products and function as a visitors' center for tourists. In the spirit of partnership, Burlington Northern, whose own history—and future—is inextricably tied to that of our state, has agreed to contribute \$100,000 for design and planning efforts; the state would appropriate \$25,000. The Centennial Center would permanently reflect our pride in Montana products and Montana history and our confidence in Montana people and Montana's future.

For nearly two decades the coal industry—the revenue it produces, the reclamation it requires—has occupied the center of Montana’s economic and political stage. Today, I issue a novel challenge to that industry—a two-year “window of opportunity” to produce new markets. I recommend that the State of Montana hold fast to its current 30 percent coal severance tax on current production and on new contracts already in place. But, on coal marketed to customers beyond that base level, I propose that the State of Montana rebate a portion of severance taxes paid by producers as an incentive to expand coal production—and Montana’s tax base. It’s time the producers, the haulers and the utilities put up—or shut up!

In the early Seventies as the Commissioner of State Lands, I developed the concept of the Resource Indemnity Trust Fund. I was convinced then—and now—that we should set aside for future Montanans a portion of gross revenues from non-renewable resources. Governor Judge recommended creation of the Resource Indemnity Trust Fund in his 1973 State of the State Address, and Montanans subsequently gave the fund Constitutional status. I propose we use the interest from that Trust Fund to help mitigate damage caused by past resource extraction and to address other problems that current laws do not cover. Nearly \$9 million will be available during the next two years for projects that will demonstrate Montanans’ conviction that resource development and a decent environment are compatible. Montana’s active participation in the International Joint Commission’s deliberation of the Cabin Creek issue in British Columbia is an example of an appropriate project.

Montana's comprehensive water development program, authorized by the 1981 Legislature, is moving forward. The process of adjudicating Montana's water claims is proceeding on schedule. The Legislature and the water courts deserve commendation for establishing a mechanism to assure adequate water supplies for this state's future needs. I hope this Legislature will also determine public policy on the sensitive issue of water marketing.

The carbide lamp, the horse-drawn plow and the crosscut saw have long since been replaced by modern technology. But the basic industries they represent—mining, agriculture, forest products—continue to provide the primary impetus for our economy. Only one resource is more important, and that is our people—their talents and imagination, their enthusiasm and productivity.

It is for people that government exists—it is to people that government must respond. Montanans want a healthy economy, but they want to enjoy its benefits in an environment they can point to with pride. Montanans have put in place the framework of laws that help assure a quality natural environment. They also recognize that good education and good health care are essential to their quality of life.

Quality inevitably carries a price tag, and in Montana the price tag for public education approaches \$5,000 per student per year! Clearly, our citizens are willing to spend the necessary funds to maintain a quality educational system. To help that process, the executive budget transfers \$7.6 million from the Coal Board to the Foundation Program. The challenge now, with tight public budgets, is to maintain

quality while controlling costs. And, with more than \$840 million allocated to public education in the state in Fiscal Year '84, Montanans must be assured that education dollars are well-spent. Excellence in education is not only spending the most money; it's also getting the most for the money spent.

Our Excellence Fund proposal encourages accountability by testing new programs in individual classrooms first before instituting them statewide. Another accountability tool would be an evaluation of higher education in Montana modeled after the Governor's Council on Management. In 1982, state government benefited from an in-depth private sector evaluation of programs and operations. As a result of the Council's work, state government has saved \$20 million a year while streamlining its operations. I encourage the Board of Regents to consider a similar examination of the University System to determine how best to put Montanans' money to work for higher education.

In 1983, \$906.3 million were spent on health care in Montana—nearly 40 percent on hospital care. Controlling health care costs is a little like the Lilliputians capturing Gulliver—a giant task, but not an impossible one. And, like Gulliver, it must be attacked from several directions.

This month I will create a public-private sector council charged with identifying the components of rising health care costs and recommending solutions. The issue also deserves continuing legislative scrutiny because major decisions relating to health care costs confront this state. Together we must determine whether public policies aggravate those costs.

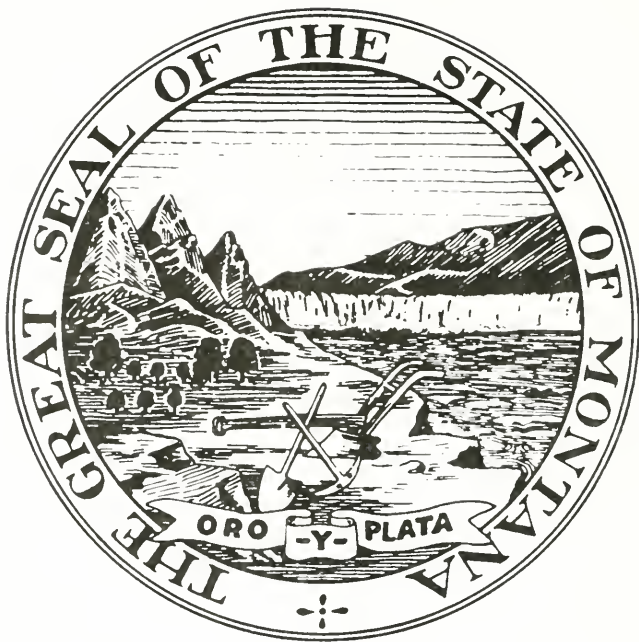
Education and health care consume an amount equal to 20 percent of Montanans' total personal income. We must examine and re-examine those costs to determine how to maintain, for the average citizen, quality education and quality health care.

As we begin our second century, we Montanans have laid out an ambitious agenda. We wouldn't have it any other way. To the outsider, it may appear that Montanans are asking for the sky. We are not. We believe our goals are realistic and achievable. The indomitable Montana spirit was summed up by a *Chicago Tribune* reporter last summer who came here to go fishing and received a healthy dose of Montana hospitality in return.

"Montana wants the best of both worlds," he wrote, "more jobs and better business without endangering the mountain wilderness, the clear trout streams, the clean air under the Big Sky. The people here have gambled that they can put this combination together. Ask them if they think they can win the gamble and you are likely to get the reply, 'you betcha.' "

We stand today between two centuries. Fired by imagination and fueled by optimism, Montanans are capable of forging a future that captures the best of both worlds for both present and future generations.

Can we do it? 'You betcha'!





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